SAQ

The Experts of Choice

2014 ANNUAL REPORT

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The English-language version of the SAQ 2014 Annual Report does not include the Governance section and parts of the Finance section. For the complete report, please refer to the French-language version.

THE SAQ'S EXPERTISE IN SELLING WINES AND SPIRITS IS EQUALLED ONLY BY THE ENTHUSIASM OF ITS EMPLOYEES, WHO MAKE THE RIGHT CHOICES IN EACH OF THE COMPANY'S DIVISIONS IN ORDER TO PROCURE, IMPORT, DISTRIBUTE AND INTRODUCE TO QUEBECERS A UNIQUE SELECTION OF BEVERAGE ALCOHOL PRODUCTS. ON PLANET WINE, THEY ARE THE EXPERTS OF CHOICE.

Fiscal years ended the last Saturday in March (in millions of dollars and in millions of litres for volume sales)	2014	2013[1]	Change (%)
Financial results			
Sales	**2,934.9**	2,907.0	1.0
Gross margin	**1,554.5**	1,552.8	0.1
Net expenses[2]	**551.5**	522.0	5.7
Profit	**1,003.0**	1,030.8	(2.7)
Comprehensive income	**1,002.0**	1,030.3	(2.7)
Financial position			
Total assets	**733.8**	759.6	(3.4)
Property, plant and equipment and intangible assets	**259.8**	259.8	–
Net working capital	**(186.9)**	(191.6)	2.5
Long-term liabilities	**31.3**	32.1	(2.5)
Shareholder's equity	**42.3**	43.4	(2.5)
Sales by network			
Stores and specialized centres	**2,621.9**	2,585.2	1.4
Wholesale grocers	**313.0**	321.8	(2.7)
Total	**2,934.9**	2,907.0	1.0
Net sales by product category			
Wines	**2,213.6**	2,183.1	1.4
	156.5 L	157.3 L	(0.5)
Spirits	**639.0**	633.8	0.8
	21.8 L	22.0 L	(0.9)
Imported and microbrewery beers, ciders and coolers[3]	**82.3**	90.1	(8.7)
	11.1 L	11.9 L	(6.7)
Total	**2,934.9**	2,907.0	1.0
	189.4 L	191.2 L	(0.9)
Additional financial data			
Government revenue[4]	**1,955.9**	1,944.8	0.6

1. The fiscal 2013 results have been restated to retroactively apply the changes to IAS 19 concerning employee benefits in accordance with the transition provisions. These changes had an impact of nearly $0.4 million on net earnings and of more than $0.1 million on the consolidated statement of comprehensive income for fiscal 2013.
2. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in profit or loss of equity-accounted interests.
3. Also known as RTDs (ready-to-drinks), FABs (flavoured alcoholic beverages) and alcopops.
4. Includes the declared dividend, sales taxes, the specific tax on alcoholic beverages, excise taxes and customs duties.

The pride that comes from offering quality products and services while helping to fund government services: that is what inspires the SAQ's employees across Quebec. Experts who know how to choose, properly store, present and recommend wines and spirits from Quebec and around the globe. If the SAQ has become one of the most appreciated companies in Quebec, it is because every day thousands of men and women strive to meet their commitment to offering the best in a warm and welcoming setting.

The decision to give an increasingly prominent place to local wines was one of the standout developments of the year just ended, a development impatiently awaited by consumers and winemakers alike. The SAQ adopted a comprehensive action plan to make quality Quebec wines better known and appreciated and, under the Origine Québec branding, to stock them on its shelves. This we have done and, if the future looks bright, we owe it above all to the perseverance and know-how of Quebec winegrowers, who today produce fine wines that win awards both here and abroad. Our commitment, like that of our producers, is clear: to make high-quality Quebec wines available to everyone.

The most recent fiscal year was also marked by a slowdown in business growth. After several exceptional years, we consolidated our sales while improving our productivity. To maintain and even enhance our position in the Quebec retail industry, we must continue implementing innovative projects that lead to merchandising that our customers find appealing. By doing so, we will ensure the SAQ remains in step with the main consumer trends and continues to deliver an ever better shopping experience. These are some of the challenges that the Board of Directors, senior management and all our employees must successfully meet.

I must note the departure of Philippe Duval, who as Chief Executive Officer contributed greatly to the SAQ's success over the last six years. I also want to congratulate Alain Brunet on being appointed Mr. Duval's successor following a rigorous recruitment and selection process. Mr. Brunet's remarkable record of service at the SAQ is a guarantee of the company's future success.

THE DECISION TO GIVE AN INCREASINGLY PROMINENT PLACE TO LOCAL WINES WAS ONE OF THE STANDOUT DEVELOPMENTS OF THE YEAR JUST ENDED.

In addition to that significant achievement, the Board of Directors monitored the dashboard for the 2013-2015 Strategic Plan, examined and approved the directors' expertise and experience profiles and carried out the annual evaluation of its performance and accomplishments. In the process, it changed the make-up of its committees and adopted revised terms of reference for its Governance and Ethics Committee, adding responsibilities related to communications.

The year now under way will be devoted to preparing the company's new Strategic Plan, which will enable the SAQ to position itself in an ever more demanding environment marked by growth that is lower than has been the case in preceding years. By combining sound management and innovation, the SAQ will be able to continue fulfilling its mission to Quebecers and the Quebec government.

In closing, I offer a friendly salute to Norman Hébert Jr., from whom I took over the chairmanship of the Board of Directors a little more than a year ago. The effective corporate governance that he put into practice and the leadership that he demonstrated with the support of a highly qualified Board of Directors contributed greatly to the advancement of the Société des alcools du Québec.

(signed)
Sylvain Simard
Chairman of the Board of Directors

FOR THE SECOND YEAR RUNNING, THE SAQ HAS TRANSFERRED MORE THAN $1 BILLION TO THE QUEBEC GOVERNMENT.

This result is part of a trend observed over the last five fiscal years, during which the dividend declared to the Quebec Treasury has increased nearly 16%. At a time when retail sales are experiencing weak growth in Quebec and elsewhere in Canada, this shows that the SAQ made the right decisions to please Quebecers, who enthusiastically continue to explore the world of wine and spirits.

In fiscal 2013-2014, the SAQ's sales grew 1% to $2.935 billion. Meanwhile, the ratio of net expenses to sales was 18.8%, demonstrating our ability to maintain sound management without losing sight of the SAQ's *raison d'être*: its customers. For their part, customers appreciated our work and, once again, said so clearly, as is proved by the 89,000 surveyed customers who, in 92% of the cases, said they were satisfied with their experience at the SAQ.

A source of great pride, this success owes much to our in-store teams, whose sound advice has helped ensure the SAQ's place in Quebecers' hearts. So many discoveries are due to these employees, discoveries that demonstrate the pleasure the arts of the table can provide.

That we are able to guide our customers so well is also because we do everything in our power to offer them a unique selection of wines and spirits. Few consumers in the world can boast of having access to a retailer whose shelves are stocked with such a wide range of alcoholic beverages. All our efforts are focused on delivering to customers a perfect combination of new, rare and tried-and-true products that are representative of every wine-growing region in the world and aligned with consumers' budgets.

The satisfaction expressed by customers is also attributable to the investments we make in our store network each year, supporting the essential, continuous development that enables the SAQ to meet its customers' expectations. This year, $7.4 million was allocated to realizing 33 projects to upgrade an equal number of SAQ stores and ensuring they are always in the best location.

Lastly, we are committed to taking the steps necessary to further improve Quebecers' access to local products. I very much hope that, in the coming years, the satisfaction expressed by SAQ customers will also be due to our ability to help them discover and embrace the wines that local winegrowers make with such passion.

Contributing in other ways

Beyond its financial results and customer satisfaction ratings, the SAQ continues contributing to the community in many ways. Though our Donation and Sponsorship Program, we invested nearly $7.4 million last year to support more than 500 organizations and events in fulfilling their missions. The SAQ is also literally at the centre of many fairs and festivals due to its SAQ Bistros, all of whose operating profits are donated to the organizations concerned.

To this can be added our actions in support of food assistance, a noble cause we want to make more Quebecers aware of. For example, our Generous Wines campaign raised $400,000, which was donated to Food Banks of Quebec and helped meet thousands of requests for emergency food assistance.

Contributing in other ways also means daring to innovate and set an example, as we did five years ago when we stopped distributing single-use bags. And we continue to break ground, these days by drawing on the strength and imagination of Quebec engineering to give a useful second life to post-consumer glass recovered through selective collection. That is why we celebrated the construction of a glass micronization plant this year by Tricentris, a company with which the SAQ occasionally collaborates on green projects. The plant, the first of its type in Quebec, opens the door to a wide range of practical and sustainable uses for recycled glass, whose market potential is obvious.

A new cycle begins

The SAQ now begins a new cycle in its existence, a cycle during which it must, more than ever, rely on both its ability to reinvent itself and its pronounced taste for action and innovation. Customer behaviour patterns are changing rapidly and the SAQ must stay in motion in order to continuously adapt to a changing market. That is why we will soon embark on the reflection and discussions that will lead to the development of the company's next Strategic Plan. The plan will set forth the directions and strategies that the SAQ will adopt not only to maintain its position as a standard setter for the pleasures of the table but also to continue fulfilling its obligations to achieve results and practice sound management. The participation of the company's employees will be crucial to the success of this fiscal year, which I am convinced will once again demonstrate that they are indeed the experts of choice.

(signed)
Alain Brunet
Chief Executive Officer

MANAGEMENT COMMITTEE

Alain Brunet
Chief Executive Officer

Catherine Dagenais
Vice-President –
Sales Network Operations

Madeleine Gagnon
Vice-President –
Human Resources

Richard Genest
Vice-President
and Chief Financial Officer

Nathalie Hamel
Vice-President –
Public Affairs and Communications

Suzanne Paquin
Secretary General
and Vice-President –
Legal Affairs

Daniel Simard
Vice-President –
Procurement and Merchandising

Jean-François Thériault
Vice-President –
Information Technology

Luc Vachon
Vice-President –
Logistics and Distribution

Offer products and services aligned with customers' needs

FOR MORE THAN 90 YEARS NOW, THE SAQ HAS BEEN ASSOCIATED WITH THE PLEASURES OF THE TABLE AND HAS ACCOMPANIED QUEBECERS IN THEIR DISCOVERY OF WINES AND SPIRITS. IT IS NO ACCIDENT THAT THE SAQ IS TODAY RECOGNIZED WORLDWIDE AS A LEADER IN THE BEVERAGE ALCOHOL TRADE, BECAUSE ALL THESE YEARS HAVE ENABLED THE THOUSANDS OF EMPLOYEES WHO HAVE MADE SUCH A DIFFERENCE TO DEVELOP AND SHARE THE EXPERTISE NECESSARY TO ATTAINING THE COMPANY'S MAIN OBJECTIVE: TO MEET CUSTOMERS' NEEDS.

INDICATOR	2014 TARGET	2014 RESULT
Sales growth rate	4%	**1%**
Outlet customers' average satisfaction rate	≥ 92%	**92%**
Outlet customers' average shopping cart	$44.25	**$46.19**

"92% CUSTOMER SATISFACTION RATE"

Meeting customer needs is the first strategic orientation of the SAQ's 2013-2015 Strategic Plan. Indicators have been developed to measure the progress of the various actions planned. In 2013-2014, the company partially reached the targets it had set itself. Its sales grew 1% and store customers' average shopping cart was worth $46.19.

Customers' view of the SAQ is indisputably positive and their interest in the company great, as was shown by the response rate to a customer satisfaction poll conducted in the fall of 2013: 89,000 customers replied, the highest number of respondents since the poll was created. Their answers made it possible to better understand customers' needs, recognize the work accomplished by the employee teams and take steps to further improve advisory service. That service, by the way, continues to generate excellent results: this year, once again, 92% of the customers said they were satisfied. Among the 12,000 comments and suggestions made by the respondents, one-third mentioned the competence of in-store personnel and the quality of the service provided.

A wealth of options

To ensure its service remains up to customers' expectations, the SAQ strives to maintain an exceptional selection of wines and spirits at every price bracket – products that customers have embraced and like to find in most stores, of course, but also wines and spirits that are less well known, rarer or simply new. The last group always has a special appeal and the SAQ's advisors introduce Quebecers to them with enthusiasm.

"12,500 DIFFERENT WINES AND SPIRITS"

This year, customers were able to choose from among 12,500 different beverage alcohol products from 66 countries. Of these, 124 were new regular wines available throughout the network, while 1,068 were chosen to enrich the specialty section, which includes Signature and *Courrier vinicole* products. This constantly renewed selection is the fruit of the enduring relationships established between the SAQ and its 2,700 suppliers, who are well aware of Quebecers' love of wine. For their part, the SAQ's laboratory experts analyzed more than 75,000 samples of these products to verify their quality.

A choice from the heart

Quebecers have appreciated wine for many years now. As a result, they have become true enthusiasts and even connoisseurs. It is in this context, where quality is recognized and sought after, that Quebec winemakers have been able to make their mark and give birth to a now-booming industry.

"MORE QUEBEC WINES"

This year, Quebec winegrowers, the Quebec government and the SAQ jointly committed to redoubling their efforts to help the local winemaking industry move to the next phase in its development and to ramp up its production. And it is by doing what it does best that the SAQ will contribute to the progress, namely by offering its customers not only a selection of Quebec wines they can be proud of but also sound advice for guiding their explorations.

To support these commitments, the SAQ undertook a series of actions that began in 2014.

Concrete commitments:

- Gradually increase the selection of Quebec certified wines available throughout the store network.
- Expand the selection of Quebec wines and beverage alcohol products available in the stores located near Quebec's five main wine routes and place signs outside the stores concerned to clearly indicate this to customers.
- Increase the visibility of Quebec certified wines in stores by creating a specific space so customers can easily find them.
- Assign a taste tag to each of the wines.
- Make customers aware of the awards and medals obtained by Quebec wines and beverage alcohol products in national and international competitions, both in the store and on all communication platforms.
- Increase staff training so that employees know more about Quebec certified wines and can better help customers discover and appreciate them.

The SAQ has also been giving local products a prominent place in all its publications and integrating them into its promotional calendar with "10% off all terroir products" weekends in the run-up to the Fête nationale and the year-end holidays.

True to form, the SAQ also supports events that are appreciated by Quebecers and devoted exclusively to promoting local products, namely the Fête des vendanges Magog-Orford, the Fête des vins du Québec and the Mondial des cidres de glace.

Dynamic promotions

Last year, the SAQ offered a number of promotions to its customers, including 12 major theme promotions, six of them circular-based and six multi-platform. The traditional "French Wine Fair" and "Festivino" promos again delighted customers while an entirely new theme was devoted to California, a region that has the wind in its sails at the SAQ and in Quebecers' hearts. As it turned out, the 10% discount on the purchase of any three Golden State wines was the region-specific promotion with the best sales during the year.

Not surprisingly, the holiday circular promotion generated the highest dollar sales. However, it was during the summer's first BBQ circular in late June that the most cases were sold, specifically 180,000 during the 18 days of the campaign, which coincided with Quebecers kicking off the summer season. Six months later, "Super Saturday" ended up being the top performing promotion of the year, with huge numbers of customers taking advantage of the opportunity to choose from among five popular wines.

Lastly, earlier in the year, a "10% off $100" promo marking the Fête nationale also met with great success. At the same time, the traditional "10% off all terroir products" promotion let customers combine the discounts and was intended as an inducement to discover and embrace local products.

The #SAQ on social media: vibrant virtual communities

Last year, the SAQ ramped up its presence on various social media to better reach all segments of its customer base.

"300,000 FACEBOOK FANS"

While Facebook remains the SAQ's main social media platform, the company is also present on Twitter, Instagram and Pinterest. On Facebook, 86,000 new subscribers pushed the SAQ's page past the 300,000-fan mark and kept the SAQ as the Quebec brand with the most followers in the agri-food sector. In 2014, for the very first time, the SAQ offered a much-appreciated promotion exclusively for its Facebook fans. Exclusive events will continue being offered to them in the future.

"15 MILLION VISITS TO SAQ.COM, UP 25%"

The fine-tuning of the SAQ.com transactional website continued after its complete makeover last year. New functions now allow visitors to share product information and recipes via social media and to create favourites lists. These changes, combined with a robust content strategy and high search engine visibility, helped boost the number of site visits to 15 million, a 25% increase from the preceding year.

Meanwhile, customers with mobile devices made extensive use of the SAQ app. As in the store network, the busiest period was the month of December, during which one million visits were made via the app.

Spirits in the spotlight

Last year, the SAQ delved even more deeply into how customers buy spirits, the idea being to find ways to make their shopping easier. Trials were carried out in selected stores, including trials involving the introduction of taste tags exclusively for spirits and of pictograms illustrating the flavours associated with liqueurs. The favourable response from surveyed customers and the conclusive sales results mean an entirely new spirits merchandising strategy will be rolled out across the network in the coming year.

Tastings: a road to discovery

In fiscal 2013-2014, some 81,000 tastings were held in the SAQ's store network. Proving that tastings are a road to discovery, one third of the customers who took part decided to buy the products they tasted, 79% of which were wines.

Ooooh, Cellier!

It was with the help of this now familiar line that the Cellier brand relaunched with a splash in 2013. Prompted by the "Ooooh, Cellier!" ad campaign, one SAQ customer in five made their first foray into this section of the store devoted to specialty products.

"SPECIALTY PRODUCT SALES UP 5%"

The Cellier brand has three points of contact for connecting with customers. First, the Cellier Space in the SAQ Sélection stores is now more accessible, more happening and easier for customers to find. It features a table reserved for new arrivals and a section dedicated to "must-try" specialty products. Second, customers can also read the entirely redesigned *Cellier New Arrivals* magazine, either the print version or on their iPad. Third, the SAQ's social media platforms bring the Cellier brand alive by featuring its many new products.

Customers also took advantage of the 12 "For the first time at the SAQ" campaigns. The January 4th flash sale, which featured a selection of 11 specialty products ripe for discovery, proved popular: some 19,000 cases were sold on the occasion, more than three-quarters of them by noon.

This new way of introducing specialty wines combined with the regular schedule of "new arrivals" releases had the effect of increasing annual sales of specialty products by 5.4%.

Lastly, of all the SAQ Signature Services operations carried out during the year, the most successful was surely the one in homage to Champlain Charest. The sale of products from the legendary restaurateur's wine cellar generated the biggest response from Signature members. To feed the members' passion for wine, an extra issue of the *Courrier vinicole* catalogue was published, bringing the number of issues for the year to six.

An answer to every question

Quebecers take an interest in the SAQ and aren't shy about contacting its Customer Relations Centre. During the fiscal year just ended, the centre handled more than 60,000 requests and comments. As in the stores, products were the leading subject, followed by e-transactions on SAQ.com, a sign that, since the makeover of the website, customers have been visiting it more often and are increasingly open to shopping online. The company's stores and policies were among the other subjects most often raised by customers.

"60,000 REQUESTS AND COMMENTS"

Improve productivity and performance

THE SOCIÉTÉ DES ALCOOLS DU QUÉBEC IS A GOVERNMENT CORPORATION WHOSE MANDATE IS TO SELL BEVERAGE ALCOHOL. THIS IT DOES BY, AMONG OTHER THINGS, OFFERING A BROAD RANGE OF QUALITY PRODUCTS. THE COMPANY AND ITS EMPLOYEES ADOPT THE BEST PRACTICES SO THAT THIS MANDATE CAN BE CARRIED OUT AND THE OBLIGATION TO ACHIEVE RESULTS AND PRACTICE SOUND MANAGEMENT CAN BE FULFILLED.

INDICATOR	2014 TARGET	2014 RESULT
Net expenses as a percentage of sales	18%	**18.8%**
Net earnings as a percentage of sales	35.3%	**34.2%**
Sales per square foot (outlets and specialized centres)	$1,380	**$1,371**
Employee mobilization index	≥ 24	**24**

"20.6 MILLION CASES DELIVERED IN ALL NETWORKS COMBINED"

Financial results

In fiscal 2013-2014, the SAQ reported sales of $2.935 billion, an increase of nearly $28 million or 1% from the preceding fiscal year. As a result, the dividend paid to the Quebec government, namely $1.003 billion, topped $1 billion for the second year running. Taking into account the amounts collected as sales tax and the specific tax, the SAQ will transfer nearly $1.570 billion to the Quebec government, while the federal government will receive more than $386 million. Among the various operating ratios, net expenses as a percentage of sales were 18.8%, net earnings as a percentage of sales were 34.2% and sales per square foot in the stores and specialized centres averaged $1,371.

"$1.003 BILLION DIVIDEND PAID TO THE QUEBEC GOVERNMENT"

Continuous improvement to better meet needs

To improve its overall performance, the SAQ is maintaining its efforts to optimize its business processes and goods management. This year it improved its cases-per-hour performance by 2.57%, which helped reduce its cost per case by 1.98%. Compared with the preceding fiscal year, the number of cases of beverage alcohol delivered in all networks combined (stores, permit holders and wholesale grocers) remained stable at 20.6 million.

Adjusting to the decision of certain wholesale grocers to close their distribution centres in the Quebec City area and consolidate their operations in Montreal, the SAQ centralized in its Montreal distribution centre all its operations related to the sector. The SAQ also optimized its operations, in particular deliveries, ordering and inventory management. All other logistics and distribution operations at the Quebec City distribution centre have been maintained to ensure the stores in the surrounding area and in eastern Quebec will continue to be served efficiently.

The best selection of wines and spirits in places Quebecers like to shop

To serve Quebecers well, the SAQ offers its customers a selection of wines and spirits unrivaled in Canada and does so in the right locations, where customers do their shopping and want to find it.

"$7.4 MILLION INVESTED IN 33 STORE DEVELOPMENT PROJECTS"

With that in mind, the company keeps a constant eye on the markets in which it is present or hopes to set up shop. In fiscal 2013-2014, it invested $7.4 million in 33 store development projects, the goal being to upgrade the targeted stores in line with current trends and to enhance customers' shopping experience.

Specifically, six SAQ stores were renovated, seven were relocated, four were merged and one was closed. At the same time, two new points of sale opened their doors to the great satisfaction of wine and spirits lovers. One of them, the much anticipated Saint-Hubert SAQ Dépôt store, proved an instant hit when it opened in November.

The SAQ also made it a point of honour to return and serve Lac-Mégantic after the July 2013 railway tragedy that shook the community to its roots. With invaluable assistance from local players, it succeeded in finding and setting up temporary quarters so that the residents of the town and surrounding area could have access to the best possible selection of wines and spirits for their holiday gatherings. A few weeks later, the SAQ announced it would inaugurate a new store in the Fatima district in the heart of the new downtown in 2014.

Lastly, during the fiscal year just ended, 41 new SAQ agency stores were opened in grocery or convenience stores in 41 localities with low population density. The goal was to provide locals with a nearby point of service complementary to the SAQ store network.

Safety first

In fiscal 2013-2014, the SAQ was in the last year of implementing an occupational health and safety optimization plan that saw several accomplishments becoming permanent. More than 20 job hazard analyses were carried out. Working groups comprised of employees, managers and union representatives were also set up to determine the actions that should be taken to make work practices and working environments even safer.

Two major projects were also completed. Traffic plans to direct and make safer all movement in the warehouse areas were developed for the Montreal and Quebec City distribution centres. Clear, standardized traffic rules were adopted and must now be complied with by all equipment operators and pedestrians. Also, all occupational health and safety rules and procedures were reviewed in order to standardize practices, which led to the implementation of a job task observation program designed to ensure optimal safety behaviours. Getting all employees involved and making them aware of their responsibilities were emphasized to ensure the initiative's success.

In addition, the Montreal distribution centre's diesel mechanics shop was redesigned to incorporate safer and more ergonomic tools and work equipment. For example, some equipment is now made of lighter materials and fitted with wheels to make it easier to move and handle heavy objects like engines.

An occupational health and safety pilot project to prevent accidents was implemented in six stores. The goal was to develop an optimal approach for integrating prevention into the stores' operations. The approach will gradually be extended to the entire store network. In initial trials, the prevention plan made it possible to encourage employee participation and integrate the best prevention practices, such as safety inspections, investigations after accidental events and the adoption of safe behaviours. So successful was the project that work accidents decreased by an average 20%. The SAQ plans to implement the new procedures in some 35 more of its stores in fiscal 2014-2015.

"4 NEW VIRTUAL TRAINING COURSES"

Inspirational employees

Each year, the Millésime activity provides a way for the SAQ to recognize employees who have excelled during the year and whose outstanding work has made a real difference in the company. The SAQ is successful and innovative because it can count on high-quality employees who are a source of inspiration for their colleagues. In fiscal 2013-2014, 63 of them received this honour as individuals while another 75 were awarded it as members of two project teams.

"THE WORK OF 138 PERSONS RECOGNIZED"

Acquiring knowledge a click at a time

To continue enriching the experience that the SAQ offers to its store customers, employees were able to add to their product knowledge by virtually visiting three major wine regions through the company's popular online training program. Some 4,200 employees completed the French wine course while another 3,100 were interested in the wines of Spain and Portugal session and 2,500 availed themselves of the course on Italian wines.

Two lecture-tastings on champagnes and the Veneto were also offered to employees. No fewer than 400 and 280 respectively signed up to learn more about these products so popular with customers. In addition, some 2,500 store network employees attended a wine and food-pairing workshop and came away with more ideas to share with customers interested in the pleasures of the table.

Lastly, ever anxious to provide its personnel with sound guidelines in the area of integrity, the SAQ launched a virtual training session on the Code of Ethics and Conduct for Employees. The session is intended for all the company's personnel and, by the end of fiscal 2013-2014, more than 3,200 individuals had completed it.

A new six-year agreement

A new six-year collective agreement was signed between the SAQ and the union representing its technical and professional employees. The agreement gives the company more flexibility in managing its resources and offers the employees conditions that will enable them to better balance their work and personal lives. It is, in short, an agreement advantageous and gratifying for both parties.

Optimize the supply chain

TO ENSURE QUEBECERS CAN CONTINUE TAKING ADVANTAGE OF THE VAST SELECTION OF WINES AND SPIRITS IT MAKES AVAILABLE TO THEM, THE SAQ WORKS TIRELESSLY TO INCREASE ITS SUPPLY CHAIN EXPERTISE. WHETHER IT BE HOW PRODUCTS ARE PROCURED, RECEIVED, HANDLED OR DISTRIBUTED IN ITS SALES NETWORKS ACROSS QUEBEC, THE SAQ STRIVES TO BE MORE EFFICIENT, MORE PRODUCTIVE AND BETTER PERFORMING.

INDICATOR	2014 TARGET	2014 RESULT
Procurement success rate for new needs	80%	**100%**
Number of successfully implemented business models	2	**2**

"NEARLY 75% OF GOODS ARE NOW RECEIVED ON PALLETS"

In fiscal 2013-2014, as in the preceding fiscal year, the SAQ reached all the supply chain targets set forth in its Strategic Plan. The procurement success rate for new needs was 100% while the number of successfully implemented business models totalled two.

Due to the fluctuations in global demand and the resulting difficulty in procuring rare and prestigious products and keeping its existing allocations, the SAQ took steps to strengthen its business relations with suppliers. These aimed first and foremost at maintaining and enhancing the SAQ's worldwide reputation in order to retain and even increase the allocations of upmarket wines granted to it.

To create value, the SAQ constantly reviews its processes with an eye to making its supply chain more agile, more adaptable and better aligned with its producer partners. As a consequence, it was able to expand its product offer by adding renowned producers to its already impressive order book and thus offer sought-after products to Quebecers through its promotional vehicles such as the *Courrier vinicole* and *Cellier New Arrivals* magazine.

Relying on innovation to improve practices

Even as it maintained an excellent customer service ratio, the SAQ achieved a 3.5% improvement in inventory turnover in its distribution centres. Notable among the successfully implemented main projects was the progress made on receiving goods on pallets instead of individually. The percentage of palletized cases received climbed to nearly 75% in fiscal 2013-2014, up 10% from the preceding fiscal year. The increase made it possible to continue streamlining operations, not to mention the undeniable occupational health and safety benefits that resulted from the change.

The SAQ also relied on innovation to improve its practices during the year. Working closely with its top 55 suppliers around the globe, it developed targeted procurement and shipping strategies that led to improvements in various supply chain operations.

New carriage contracts for procured goods were signed during the fiscal year just ended. These will enable the company to maintain stability in this area and will thus support the various initiatives for improving the supply chain.

Lastly, the SAQ implemented new information technology tools that allowed all the procurement processes for the SAQ Dépôt banner to be optimized and the banner's growth to be supported.

Contribute in other ways

THE SAQ HAS FORGED A RELATIONSHIP OF TRUST WITH QUEBECERS SINCE 1921 BY HELPING THEM DISCOVER THE PLEASURES OF THE TABLE. AWARE OF THE IMPORTANCE OF THIS RELATIONSHIP, IT TAKES THE INITIATIVE AND PLAYS AN ACTIVE ROLE BY ADHERING TO THE PRINCIPLES OF SUSTAINABLE DEVELOPMENT AND CONTRIBUTING IN OTHER WAYS TO THE VITALITY OF QUEBEC SOCIETY.

Choosing to be involved

"$7.4 MILLION IN DONATIONS AND SPONSORSHIPS"

Investing in communities

In fiscal 2013-2014, the SAQ's investments in Quebec communities through its Donation and Sponsorship Program totalled nearly $7.4 million. All told, some 445 organizations and 73 events, including more than 25 wine expos for the benefit of non-profit organizations, received a helping hand from the SAQ. In particular, the company responded enthusiastically to the call from the elected officials of Lac-Mégantic, who encouraged the Quebec public to continue visiting the town and surrounding area despite the July 2013 railway disaster. The SAQ responded by working with the Lac en fête Mégantic festival to make access to the event free for all festivalgoers, an initiative that was warmly welcomed by the organization, especially as the organizers also received the entire proceeds from running the SAQ Bistro, as is the case whenever the Bistros are set up at an event.

Food assistance

For the third year in a row, the SAQ joined forces with Food Banks of Quebec to fight against hunger. An impressive number of SAQ customers responded to the Generous Wines campaign held in April 2013 by buying white wines to contribute to this cause so dear to the SAQ. Their support made a huge difference at a time of the year when food bank inventories are at their lowest level. Due to their participation and that of suppliers, a total of $400,000 was donated to Food Banks of Quebec. The SAQ is associated with the pleasures of the table and its involvement with the food assistance cause aims to help ensure that all Quebecers have enough quality food to eat.

"$400,000 PRESENTED TO FOOD BANKS OF QUEBEC"

Also, the SAQ once again collaborated with The Chef Table to allow the establishments taking part in the Semaine des écoles hôtelières to prepare large quantities of food for needy individuals and families.

Last but not least, accompanied by friends and family members, a number of SAQ employees took part in the annual event at which they prepared foodstuffs under the supervision of The Chef Table. A total of 3,569 bags of dry ingredients for making healthy granola were made using a recipe developed by pastry chef Patrice Demers. The bags were donated to the Moissons food banks, which took charge of distributing them.

The big Entraide campaign

SAQ employees were as generous as ever this year, as was shown by their participation in the latest Entraide campaign. Their support for the cause combined with the amount contributed by the SAQ, which matched the employees' donations dollar for dollar, raised slightly more than $300,000 for the Entraide organization, which provides financial support to Centraide of Quebec, Healthpartners Quebec and the Quebec Division of the Canadian Red Cross.

"178 STORES HAVEN'T SOLD ALCOHOL TO AN UNDERAGE MYSTERY CUSTOMER IN THE LAST FIVE YEARS."

Sharing the SAQ's expertise with non-profits

In fiscal 2013-2014, aware that it has developed recognized expertise in various fields, the SAQ became a member of a business volunteer program to share its know-how with non-profit organizations. A half dozen such organizations were able to benefit from the state-of-the-art expertise of six of the company's managers, who helped them improve their efficiency and increase their growth.

Sales ethic

The SAQ is committed to responsible sales practices. It refuses to sell alcoholic beverages to minors, the obviously inebriated or anyone acting on their behalf.

To accomplish this, it continues to rigorously carry out its underage mystery customer program, which has been in effect for five years. The weekly results are sent to the teams of the visited stores. If necessary, specific intervention plans are prepared for any teams that require such support.

The company spares no effort in ensuring enforcement of an irreproachable sales ethic and informing the general public about it. Several information and awareness tools were used during the last fiscal year, most notably a new radio spot targeting parents and a quick reference card summarizing the three recommended response actions that was distributed to all in-store teams.

Considering it important to acknowledge its employees' ethics achievements, the SAQ set up a related recognition program. The 178 teams who had not sold beverage alcohol to an underage mystery customer in the preceding five years were presented with a plaque acknowledging their excellent result. Always attentive to its employees, the SAQ also organized discussion groups in order to better understand the problems encountered and the needs observed and to further improve its responsible sales practices. In fiscal 2013-2014, underage mystery customers were stopped from buying or tasting beverage alcohol products 93.2% of the time.

Éduc'alcool

An independently run non-profit organization, Éduc'alcool has promoted responsible alcohol consumption for 25 years. The SAQ has supported Éduc'alcool since its creation and, in fiscal 2013-2014, collected and remitted $3.1 million to the organization to help it continue carrying out its mission. Prevention, education and information programs are the main activities of Éduc'alcool, which works to help young people and adults make responsible, informed decisions about alcohol consumption.

Choosing to be innovative and to support sustainable development

A privileged place for Quebec wines

On November 29, 2013, the SAQ, the Quebec government and the Quebec winegrowing industry announced their joint commitment to implementing an action plan for increasing the quality and number of Quebec wines available on the government corporation's shelves and for raising their profile. To enable the SAQ to fulfill its commitment, a new team dedicated exclusively to promoting local products was created. With the announcement, the three parties gave themselves the means to offer Quebecers a selection of local wines of which they can be proud and expressed their desire to encourage the development of a strong local winegrowing industry.

A promising future for recovered glass

The SAQ sells several millions of bottles a year and works closely with a number of partners to minimize their impact on the environment and local communities. The objective is to give a useful second life to glass recovered through the selective collection system. In doing so, the SAQ hopes to help create an entirely new local industry based on reusing recovered glass. In the decade since the SAQ undertook to provide long-term financial support to the Chaire de valorisation du verre dans les matériaux at the Université de Sherbrooke, thousands of hours of research have spawned innovation and led to the development of a technology unique in the world: crushing and pulverizing glass into powder for use as a replacement for part of the Portland cement used to manufacture concrete. Research has shown that glass-enriched concrete is stronger, more water-resistant and more durable.

The new technology creates wealth by giving a resale value to glass, making known a 100% Quebec invention that is both sustainable and exportable and reducing the greenhouse gas emissions that result from the concrete manufacturing process. While the SAQ was the first to use the glass-enriched concrete for floors in several of its new stores, other organizations and municipalities are now expressing interest in the product.

"GLASS-ENRICHED CONCRETE: STRONGER, MORE WATER-RESISTANT, MORE DURABLE"

The first plant in Quebec dedicated to transforming glass into powder was built in Lachute in 2013 by Tricentris. Recycled glass is currently undergoing trials in Montreal sidewalks and has been used for the first time in a concrete sound abatement wall. Located alongside Autoroute 20 in Boucherville, the wall was built in 2013 by Quebec-based Jansen Industries in collaboration with the Ministère des Transports du Québec, giving a second life to more than 53,000 bottles.

Promoting glass transformation

The SAQ presented the Chihuly exhibition "A Breathtaking Universe" at the Montreal Museum of Fine Arts in 2013. For the first time in Canada, the some 277,000 visitors to the exhibition were able to experience some of the work of artist Dale Chihuly, the uncontested master of contemporary glass. They were also able to learn more about the SAQ's glass transformation initiatives in a space set up near the museum's main entrance.

"277,000 MMFA VISITORS INFORMED ABOUT THE SAQ'S INITIATIVES"

Fiscal 2013-2014 also provided an opportunity for the SAQ to expand the space devoted to glass transformation on the SAQ.com website. An entirely new section, titled "Adding value to glass," covers such topics as light glass, selective collection, sorting centres, research and development and the practical applications for transformed glass that have been marketed to date.

"8 HYBRID TRUCKS NOW ON THE ROAD"

Ever greater energy efficiency

For several years now, the SAQ has been increasing its efforts to optimize its energy efficiency. In 2013, a solar wall with a 30-year life span was installed at the Montreal distribution centre. Used for the laboratory, whose operations require a constant flow of fresh outside air, the wall significantly reduces the company's power consumption.

Given the size and scale of the SAQ's store network, energy efficiency can also be improved by saving fuel. That is why the company acquired four new 53-foot trucks last year that, by increasing truck loading capacity, have enabled it to reduce the number of deliveries. The SAQ also added two new hybrid trucks to its fleet, bringing the total number of hybrids to eight. These trucks serve Montreal area stores.

New, even more eco-responsible stores

Proud to reduce its ecological footprint by giving customers access to stores that are ever more environment-friendly, the SAQ enthusiastically welcomed the LEED Canada-CI certification of three of its stores, namely the Lac-Etchemin SAQ (certified), the Gatineau SAQ Express (silver level) and the Beauport SAQ Sélection (sliver level).

Incidentally, Montreal's new Ateliers Angus SAQ Sélection store, inaugurated in 2013, was built on the site of the former Canadian Pacific shops using a sustainable development approach. Incorporating vestiges of East End Montreal's industrial past, the new store earned the SAQ nominations for the Prix d'excellence en architecture of the Ordre des architectes du Québec and for the Grands Prix du Design.

Trends in 2014

Litre Sales by Product Category
(stores and specialized centres)

Wine

79.0%

78.6% in 2013

Spirits
14.5%
14.5% in 2013
Coolers
4.5%
5.0% in 2013
Beer
1.7%
1.6% in 2013
Cider
0.3%
0.3% in 2013

Whether it's white, red or rosé, wine remains Quebecers' favourite

Quebecers have always attached great importance to the pleasures of the table. That's why wine, the loyal companion of the culinary arts, remains the uncontested king of the 12,500 products offered through the store and specialized centre network, with 79% of volume sales versus 14.5% for spirits. As for the other categories, coolers account for 4.5% of sales and beer for 1.7%. In all, the SAQ sold 150.4 million litres of beverage alcohol products in fiscal 2013-2014, down slightly from the figure for the preceding year.

What's Quebecers' favourite taste tag?

Taste tags began appearing in SAQ stores in 2007. In the years since, they have helped consumers determine their taste profile and guided them in their selections. Extremely popular with customers, this simple system gives everyone an easy entrée into the world of wine and wine descriptors.

What was Quebecers' favourite taste tag in the red wine category this year? Here's a hint: the wines that sport this tag are generously textured and have an intense colour and rich bouquet dominated by fruit aromas. And the answer is... Fruity and Medium-bodied! In the white wine category, the Fruity and Vibrant tag dominated while in the rosé wine category the Fruity and Sweet tag took the crown.

Red wines

White wines

Rosé wines

Litre Sales by Taste Tag
(stores and specialized centres)

	2014
Fruity and Medium-bodied	**25.0%**
Aromatic and Supple	**18.6%**
Aromatic and Robust	**12.9%**
Fruity and Vibrant	**12.7%**
Fruity and Light	**11.6%**
Fruity and Sweet	**7.2%**
Delicate and Light	**6.8%**
Aromatic and Mellow	**5.1%**
Fruity and Extra-sweet	**0.1%**

Wine experts!

Accounting for 68.6% of volume sales, red wines continue to occupy first place despite losing a little ground to white wines, whose freshness and liveliness are increasingly appreciated by consumers. This trend began several years ago and is seen in most producing countries, especially France, the source of 35% of the white wines sold at the SAQ. For their part, sales of sparkling wines and champagnes – products customers enjoy drinking on an ever wider range of occasions – continued their upward path, chalking up a 2.5% increase.

Litre Sales of Still Wines by Colour
(stores and specialized centres)

	2014	2013
Red	**68.6%**	69.6%
White	**26.9%**	25.9%
Rosé	**4.5%**	4.5%

Litre Sales by Type of "Celebration Wine"
(stores and specialized centres)

	2014	Change
Champagne	**14.1%**	0.7%
Sparkling wine	**85.9%**	2.8%

California, star of the American wine scene

Though their remarkable surge lost a little steam, wines from the United States – and mainly from California – gained yet more ground this year with a nearly 10% increase in volume sales, a figure that applied equally to whites and reds. It goes without saying that these appealing products continue to seduce Quebecers. That Spain and Portugal remain a source of quality products appreciated by Quebecers was shown by their sales increases of 2.9% and 6.9% respectively. That said, France and Italy maintained their lead over all other countries; taken together, the two countries' share of the Quebec market is well over 50%.

Market Share of Still Wines by Country of Origin
(share of volume sales)
(stores and specialized centres)

France	31%
Italy	23%
United States	14%
Spain	8%
Australia	6%
Argentina	4%
Portugal	4%
Chile	3%
South Africa	2%
New Zealand	2%
Other	3%

Change in Litre Sales of Still Wines by Country of Origin
(stores and specialized centres)

France	(0.7)%
Italy	(0.6)%
United States	9.6 %
Spain	2.9 %
Australia	(3.5)%
Argentina	(10.8)%
Portugal	6.9 %
Chile	2.5 %
South Africa	0.3 %
New Zealand	9.3 %
Other	(3.7)%

Here's to local expertise!

The Quebec wines, ciders, spirits and other products now found on the SAQ's shelves had sales of $17 million this year. In particular, wine – including dessert and sparkling wines – continued its breakthrough. The 184,000 litres sold correspond to a 7% increase in volume sales over the preceding fiscal year. Like their red and white counterparts, which consumers are increasingly embracing, rosé wines stood out.

Spirits: rum, gin and whisky on the rise

While spirits consumption remains fairly stable in Quebec, it's a different story within the category, where some interesting movement can be seen. This year, consumers rediscovered whisky, in particular Scotch, with its range of products as complex as it is diverse. Quebec is also seeing the emergence of a local micro distillery industry that produces high quality spirits. An increasing number of consumers are adopting made-in-Quebec gins and vodkas, products that are winning prizes and awards the world over.

Sales by Type of Spirits
(in millions of litres)
(stores and specialized centres)

				Market Share	
	2014	2013	Change	2014	2013
Vodka	**5.0**	5.1	**(2.0)%**	**23.0%**	23.2%
Liqueur	**4.8**	5.1	**(5.9)**	**22.1**	23.2
Rum	**4.5**	4.4	**2.3**	**20.6**	20.0
Whisky	**2.8**	2.7	**3.7**	**12.8**	12.3
Gin	**2.2**	2.1	**4.8**	**10.1**	9.5
Brandy	**1.7**	1.7	**–**	**7.8**	7.7
Neutral alcohol	**0.4**	0.4	**–**	**1.8**	1.8
Other spirits	**0.4**	0.5	**(20.0)**	**1.8**	2.3
Total	**21.8**	22.0	**(0.9)%**	**100.0%**	100.0%

Consumers in the lead

This year, the majority of litre sales were made to consumers for use at home. Restaurant, hotel and bar owners accounted for 13% of sales. The remainder of sales were to agency stores, diplomatic missions, airlines and duty-free boutiques, among others. The average price of a 750 ml container of still wine in the SAQ store network was $16.38 in fiscal 2013-2014.

Litre Sales by Type of Customer
(stores and specialized centres)

	2014	2013
Consumers	**81.0%**	81.2%
Permit holders	**13.0%**	13.4%
Agencies and other customers	**6.0%**	5.4%

Finance

The SAQ is a government corporation mandated to sell beverage alcohol, a mandate that involves importing, warehousing, distributing, marketing and retailing a wide variety of quality alcoholic beverages. The Accountability Report section presents the SAQ's financial performance.

Financial Results

Fiscal years ended the last Saturday in March
(in millions of Canadian dollars)

	2014		2013[1]		2012[2]		2011	
	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast
Sales	**2,934.9**	3,023.1	2,907.0	2,900.8	2,837.1	2,784.6	2,657.8	2,635.1
Gross margin	**1,554.5**	1,612.6	1,552.8	1,541.5	1,509.3	1,478.6	1,417.1	1,397.4
Net expenses[3]	**551.5**	555.3	522.0	536.5	509.6	532.7	506.6	510.8
Profit	**1,003.0**	1,057.3	1,030.8	1,005.0	999.7	945.9	910.5	886.6
Comprehensive income	**1,002.0**	1,057.3	1,030.3	1,005.0	999.7	945.9	910.5	886.6

1. The fiscal 2013 results have been restated to retroactively apply the changes of the IAS 19 standard regarding employee benefits in accordance with the transition provisions. These changes had an impact of nearly $0.4 million on the net earnings and of more than $0.1 million on the consolidated statement of comprehensive income for fiscal 2013.
2. 53-week fiscal year.
3. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in profit or loss of equity-accounted interests.

Investments in property, plant and equipment and intangible assets

Fiscal years ended the last Saturday in March
(in thousands of Canadian dollars)

	2014	2013	2012[1]	2011
	Actual	Actual	Actual	Actual
Capital projects – distribution and administrative centres	**6,825.9**	11,234.7	6,283.4	18,536.0
Outlet network development	**7,412.8**	10,287.5	10,693.8	11,552.3
Information systems development	**16,283.9**	15,716.7	13,927.9	11,528.1
Rolling stock and mobile equipment	**2,862.1**	3,773.6	2,172.1	1,326.4
Specific equipment	**146.4**	461.2	847.1	343.5
Total	**33,531.1**	41,473.7	33,924.3	43,286.3

1. 53-week fiscal year.

COMMERCIAL DATA

The following four tables show certain performance indicators over a five-year period.

Sales growth by volume

(in thousands of litres)

	2011 Actual	2012[1] Actual	2013 Actual	**2014 Actual**	2015 Forecast
Change (%)	3.7	4.7	1.2	**(0.9)**	–

Growth in average in-store purchase[2]

(in dollars)

	2011 Actual	2012[1] Actual	2013 Actual	**2014 Actual**	2015 Forecast
Change (%)	2.2	3.2	3.8	**5.2**	1.6

Growth in customer traffic in stores[3]

(in thousands of transactions)

	2011 Actual	2012[1] Actual	2013 Actual	**2014 Actual**	2015 Forecast
Change (%)	3.3	4.6	0.9	**(2.0)**	0.7

Growth in average sales price per litre in stores[3,4]

(in dollars)

	2011 Actual	2012[1] Actual	2013 Actual	**2014 Actual**	2015 Forecast
Change (%)	0.4	2.5	1.6	**3.4**	2.1

1. 53-week fiscal year.
2. Average expenditure by consumers (including sales taxes).
3. Consumers.
4. Excluding sales taxes.

This financial report reviews the operations of the Société des alcools du Québec (SAQ) for the fiscal year ended March 29, 2014, and its financial position at that date. It should be read in conjunction with the consolidated financial statements and notes thereto, which will be found in the French-language version of the 2014 annual report. The information contained in this analysis includes all significant events that have occurred up to June 5, 2014.

Overview of results

In fiscal 2013-2014, sales totalled $2.935 billion, an increase of $27.9 million or 1% from the preceding fiscal year. The SAQ reported a profit of $1.003 billion for its fiscal year ended March 29, 2014, a decrease of $27.8 million or 2.7% from fiscal 2012-2013. Government revenues from operations (in the form of federal duties, consumer taxes and dividends) stood at $1.956 billion. At fiscal year-end, the SAQ's sole shareholder, the Quebec Minister of Finance, declared a dividend of $1.003 billion.

Sales

The SAQ's sales from all of its sales and distribution networks totalled $2.935 billion, up $27.9 million or 1%. The corresponding volume sales totalled 189.4 million litres compared with 191.2 million litres for the preceding year, a decline of 0.9%.

By sales network

The store and specialized centre network reported sales of $2.622 billion, an increase of $36.7 million or 1.4% from the preceding fiscal year. The network's volume sales dropped 0.3%, from 150.8 million litres to 150.4 million litres. The less favourable economic environment combined with Easter holiday sales occurring in the preceding fiscal year are factors that explain these results.

Consumers' average in-store shopping cart totalled $46.19 for fiscal 2013-2014 as opposed to $43.90 for the preceding fiscal year. Overall, the average per-litre sales price in the store network rose 3.4% to $19.32 compared with $18.69 in fiscal 2012-2013. This increase is attributable in particular to the trend among customers to buy higher quality products.

Sales in the wholesale grocer network fell $8.8 million or 2.7% compared with the preceding fiscal year to total $313 million. In addition, volume sales decreased 1.4 million litres or 3.5% to 39 million litres. The near stability of sales in the Quebec food sector together with the lower the inventories of two major wholesalers partly explain the results obtained in this network during the fiscal year.

Over the last five fiscal years, dollar sales in the store and specialized centre network have had average annual growth of 4.1% versus 2.4% for the wholesale grocer network, while volume sales have grown 2.6% in the store and specialized centre network and 1.6% in the wholesale grocer network.

By product category

Wine category sales rose $30.5 million or 1.4% to $2.214 billion. More specifically, wine sales in the store and specialized centre network grew $39.3 million or 2.1% from fiscal 2012-2013, compared with a decrease of $8.8 million or 2.7% in the wholesale grocer network for the same period. On the other hand, total volume sales in the wine category fell 0.5% to 156.5 million litres in fiscal 2013-2014. This decrease is attributable to the 1.4 million litre or 3.5% decline in the wholesale grocer network. Taken by itself, the store and specialized centre network recorded a 0.6 million litre or 0.5% increase in its wine sales.

Sales of spirits, which are sold exclusively in the store and specialized centre network, grew $5.2 million or 0.8% to $639 million. Volume sales in this product category fell 0.9% to 21.8 million litres.

Lastly, sales for the imported and microbrewery beer, cider and cooler category, which accounted for 2.8% of overall sales, decreased $7.8 million or 8.7% to $82.3 million. The category's volume sales totaled 11.1 million litres, a drop of 0.8 million litres or 6.7%.

Cost of sales and gross margin

Cost of sales consists primarily of acquisition costs, the freight costs incurred to ship goods to the SAQ's distribution centres and the various points of sale and the related customs duties and excise taxes. In fiscal 2013-2014, the cost of sales stood at $1.380 billion compared with $1.354 billion in fiscal 2012-2013. The resulting gross margin totalled nearly $1.555 billion versus $1.553 billion for the preceding fiscal year, a nearly $2 million increase. As a percentage of sales, the gross margin was 53% in fiscal 2013-2014 versus 53.4% in the preceding fiscal year. In-store promotions were added in response to the less favourable economic environment, which had a slightly negative impact on the gross margin.

Net expenses

Net expenses consist of selling, merchandising, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in profit or loss of equity-accounted interests. Defined thus, net expenses stood at $551.5 million, a $29.5 million or 5.7% increase from the $522 million for the preceding fiscal year.

Employee compensation, which is the SAQ's largest net expense category, rose $10.7 million or 3% to $369.1 million. This change is largely attributable to the reversal of a provision during the preceding fiscal year following a decision favourable to the SAQ regarding the application of the Pay Equity Act and the increase in employee pension plan costs. This expense category accounted for 66.9% of net expenses compared with 68.7% in fiscal 2012-2013. Expressed as a percentage of sales, employee compensation was 12.6% as opposed to 12.3% for the preceding fiscal year.

Building occupancy expenses (including the related amortization), which constitute the second largest net expense category, rose $3.7 million or 4.1% to $93.6 million, due mainly to higher rents in the commercial sector as well as an increase in expenses related to building occupancy.

Other expenses totalled $38.8 million versus $25.7 million for the preceding fiscal year, an increase of $13.1 million. The change is due mainly to higher selective collection expenses and lower advertising and promotional revenue.

Expressed as a percentage of sales, net expenses were 18.8% for fiscal 2013-2014 compared with 18% for the preceding fiscal year. Excluding the share of the profit from the interest in a joint venture and the reversal of a provision during the preceding fiscal year, which stemmed from a decision favourable to the SAQ regarding the application of the Pay Equity Act, the ratio of net expenses to sales would have been similar for the last two fiscal years.

Profit and comprehensive income

The SAQ ended its fiscal year with a profit of $1.003 billion, down $27.8 million or 2.7%. Expressed as a percentage of sales, profit was 34.2% versus 35.4% in fiscal 2012-2013. Comprehensive income totalled $1.002 billion, a decrease of $28.3 million from the preceding fiscal year.

Government revenues

As a government corporation, the SAQ pays substantial amounts to both levels of government in the form of consumer taxes, federal taxes and duties and its operating profit. In fiscal 2013-2014, government revenues totalled $1.956 billion compared with $1.945 billion in fiscal 2012-2013, an increase of $11 million or 0.6%.

The amounts paid to the Quebec Treasury rose $9.5 million or 0.6% to total nearly $1.570 billion. This favourable change stems from a $30.9 million increase in the specific tax on beverage alcohol collected due to a November 21, 2012, rate hike for the specific tax on the sale of beverage alcohol and from a $6 million increase in the provincial sales tax collected due to higher sales. These increases were offset by a $27.4 million decrease in the dividend.

The amounts paid to the Government of Canada totalled $386.2 million, an increase of $1.6 million or 0.4%.

Government revenues from operations
(in millions of dollars)

	2014	2013
Government of Quebec		
Declared dividend	**1,003.0**	1,030.4
Provincial sales tax	**332.1**	326.1
Specific tax	**187.2**	162.0
Specific permit holder tax	**47.4**	41.7
	1,569.7	1,560.2
Government of Canada		
Excise taxes and customs duties	**219.6**	221.0
Goods and services tax	**166.6**	163.6
	386.2	384.6
Total	**1,955.9**	1,944.8

Interests in joint ventures
The SAQ holds a 50% interest in Société d'investissement M.-S., LP. This Quebec-incorporated company is a business-to-business cybermarket that provides an integrated solution for purchasing and selling wine. The SAQ also holds, through its subsidiary 9268-2707 Québec inc., a 50% share in the joint venture TWIST, a limited partnership (LP) active in online wine sales in the United States.

For fiscal 2013-2014, the SAQ's share of the profit from its interests in its joint ventures was a $7 million loss compared with a $2.8 million loss in the preceding fiscal year. This change was due mainly to the remeasurement of the book value of its interest in the TWIST, LP joint venture, which totalled $7.3 million at March 30, 2013, as opposed to zero at March 29, 2014. After a strategic repositioning, as the objectives relating to job creation in Quebec and to increasing its purchasing power had been revised, the SAQ decided to take steps, during the fiscal year ended on March 29, 2014, to divest itself of its interest in the TWIST, LP joint venture, which it held through its subsidiary. The SAQ will continue its actions to monetize this asset and expects to conclude a transaction in the first six months of the fiscal year.

Investments
The SAQ's investments in capital assets totalled $33.5 million in fiscal 2013-2014. More than $14.2 million was devoted to upgrading its commercial and administrative establishments to provide them with more modern and functional facilities. In addition, $16.3 million went toward the design and development of new information systems. Lastly, $3 million was invested in upgrading rolling stock and equipment.

Financial position
As at March 29, 2014, the SAQ had total assets of $733.8 million compared with $759.6 million as at March 30, 2013. The value of inventory increased $16.6 million from the preceding fiscal year, closing at $361.2 million. Cash and trade and other accounts receivable fell $13.2 million and $6.8 million respectively. Deposits and prepaid expenses also fell $15.9 million.

The net value of long-lived assets decreased $6.5 million, due mainly to the lower book value of the interest in the TWIST, LP joint venture. The overall value of property, plant and equipment and intangible assets did not change significantly during the fiscal year. As at March 29, 2014, the working capital ratio was 0.72, comparable with that for the preceding fiscal year.

At fiscal year-end, current liabilities had experienced a net decrease of $24.1 million, falling from $684.2 million as at March 30, 2013, to $660.1 million as at March 29, 2014. This change is attributable to a $55.4 million decrease in the dividend payable, which was partially offset by an increase of $14.5 million in borrowings, of $3.7 million in accounts payable and accrued liabilities, of $3.5 million in government taxes and duties payable and of $9.6 million in provisions.

Long-term liabilities, which totalled $31.3 million as at March 29, 2014, did not experience any significant change.

Due to the size of its internally generated funds, the stability of its working capital and its relatively low debt, the SAQ's financial position remained solid throughout its most recent fiscal year.

Cash flows
The SAQ's operations used $13.2 million in cash in fiscal 2013-2014 compared with the $22.2 million generated in the preceding fiscal year.

Cash flows related to operating activities dropped $13 million from the preceding fiscal year to $1.063 billion. This change stems mainly from the $27.8 million decrease in profit as well as the $3.7 million decrease for the sick leave credits expense and the $2.7 million to capitalize the defined pension benefit obligation. These decreases are partially offset by the $10.4 million reduction in the amounts reversed for provisions, the $3.4 million increase in the net change in non-cash working capital items and the additional $4.2 million loss of the share in the profit of interests.

Investing activities led to outflows of $31.9 million in fiscal 2013-2014 compared with $42.2 million in the preceding fiscal year, a $10.3 million decrease. The difference was due mainly to a $9.2 million reduction in acquisitions of property, plant and equipment and intangible assets.

Financing activities used $1.044 billion in cash compared with $1.011 billion in the preceding fiscal year. The $10.7 million increase in the dividend distributed to the shareholder in the fiscal year together with a nearly $22 million repayment on borrowings explain this $33 million difference.

As at March 29, 2014, the consolidated statement of cash flows showed a cash balance of $39.7 million compared with $52.9 million at the end of the preceding fiscal year.

Financing of operations
As specified in Note 22 to the consolidated financial statements, the SAQ manages financing within certain limits set by its Board of Directors and the Government of Quebec. Given the dividend advances that are periodically paid to its shareholder, the SAQ relies on external sources to finance its operations.

At fiscal year-end on March 29, 2014, the "Borrowings" item on the consolidated statement of financial position totalled $105 million compared with $90.5 million as at March 30, 2013. The average net borrowings stood at $114 million versus $74.9 million in the preceding fiscal year.

The SAQ's financing activities on the money market resulted in net financial charges of $0.9 million, $0.2 million higher than in the preceding fiscal year. As the average interest rate paid on borrowings during the fiscal year remained stable compared with fiscal 2012-2013, this change is attributable mainly to an increase in average net borrowings on the order of $39.2 million.

The SAQ also incurs net interest related to the assets and liabilities arising from employee benefit plans. This totalled $1 million compared with $1.1 million for the preceding fiscal year.

Changes in accounting methods
During the fiscal year, the SAQ contended with the new International Financial Reporting Standards (IFRS) published and revised by the International Accounting Standards Board (IASB) and adopted by the Canadian Accounting Standards Board (AcSB), which were mandatorily applicable to fiscal years beginning on or after January 1, 2013.

The amendments to IAS 19 "Employee Benefits" are the most significant and related to the accounting for changes in defined benefit obligations and the plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur and hence eliminate the "corridor approach" permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the statement of financial position to reflect the full value of the plan deficit or surplus.

The revised IAS 19 has been applied retroactively in accordance with the transition provisions. Accordingly, the SAQ has restated its reported results throughout the comparative period presented and reported the cumulative effect as at April 1, 2012, as an adjustment to opening equity.

	Defined benefit pension plan net assets (liabilities)	Equity
Balance as reported at March 30, 2013	$ 1,352	$ 44,888
Effect of IAS 19 revised April 1, 2012	(1,333)	(1,333)
Increase in profit	311	311
Remeasurement of defined benefit pension plan net assets (liabilities)	(483)	(483)
Restated balance as at March 30, 2013	**$ (153)**	**$ 43,383**

Detailed information on the other accounting method changes is provided in Note 4 to the consolidated financial statements.

Future standards, amendments and interpretations
On the date that publication of the SAQ's consolidated financial statements for fiscal 2013-2014 was authorized, new standards, amendments and interpretations of existing standards had been published but were not yet in force. The SAQ did not early-adopt them but plans to adopt them when they come into force.

Note 5 to the consolidated financial statements provides information on the new standards and interpretations and the new amendments that are likely to be relevant to the SAQ's consolidated financial statements. Other new standards and interpretations have been published but do not apply to the SAQ or will not have a significant effect on its consolidated financial statements.

Disclosure controls and procedures
Under the supervision of the Chief Executive Officer and of the Vice-President and Chief Financial Officer, the SAQ's disclosure controls and procedures (DC&P) are designed to provide reasonable assurance that significant information about the SAQ is communicated to management in a timely manner.

An evaluation of the design and effectiveness of the DC&P was performed as of March 29, 2014, under the supervision and with the participation of management. Based on this evaluation, the Chief Executive Officer and the Vice-President and Chief Financial Officer concluded that the DC&P were adequately designed and operating effectively.

Internal control over financial reporting
The SAQ's internal control over financial reporting is designed to provide reasonable assurance that the financial information is reliable and that the consolidated financial statements were prepared, for financial reporting purposes, in accordance with International Financial Reporting Standards (IFRS).

The SAQ's management, including the Chief Executive Officer and the Vice-President and Chief Financial Officer, have evaluated the effectiveness of the internal controls over financial reporting (ICFR) using the framework and criteria set out in the *Internal Control – Integrated Framework* document issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that, as at March 29, 2014, the ICFR are adequately designed and effective to provide reasonable assurance as to the reliability of the financial information and the presentation of the SAQ's consolidated financial statements in accordance with IFRS.

Risks and uncertainties
In the normal course of its business operations, the SAQ is exposed to various risks that could have an adverse impact on its profit, financial position or cash flows. In addition to the financial risks described in Note 26 to the consolidated financial statements, the SAQ is exposed to market risk. In particular, sales of wines and spirits and the resulting profitability are dependent on, among other factors, the strength of the Quebec economy and the disposable income of customers.

The SAQ does business in a sector where every retailer offers consumers an interesting and diversified range of products and services in order to capture a greater share of their discretionary spending. Accordingly, the SAQ devises strategies and initiatives designed to mitigate this business risk. The company regularly studies consumers' buying habits and trends and adapts its business strategies in response to them. In addition to offering a constantly renewed catalogue of high-quality products to satisfy Quebecers' ever-increasing enthusiasm for wines and other beverage alcohol products, the SAQ has a continuous investment program to improve its vast sales network in order to be able to offer modern, user-friendly stores that make the shopping experience easier. These strategies, combined with a much appreciated advisory service, are factors that help mitigate the market risk to which the SAQ is exposed.

Finally, the SAQ faces various claims and lawsuits. In management's opinion, any settlement that might arise from these claims would not have a significant impact on the SAQ's financial position. Should the company be required to pay any amount as a result of these lawsuits, the amount would be expensed in the period in which it became payable.

Outlook
In the coming year, the SAQ will continue to surprise consumers by offering new and appealing products aligned with their needs and innovative promotional campaigns aimed at satisfying all its customer segments. The advisory service will remain a key priority for providing consumers with an unmatched shopping experience.

The SAQ will move forward with its action plan designed to increase the selection and visibility of Quebec certified wines in its store network. In doing so, the SAQ will offer its customers a wider variety of Quebec products while taking part in the development of the local winemaking industry.

Although the economic growth forecasts for the coming year remain modest and Quebec's economic indicators point to consumers' being prudent in their spending, management is confident that its business strategies and continued sound management will lead to a slight increase in sales and profit in fiscal 2014-2015.

Sales by network[1]
(in millions of Canadian dollars)

	2010	2011	2012[2]	2013	2014
Stores and specialized centres	2,260.1	2,362.5	2,524.4	2,585.2	**2,621.9**
Wholesale grocers	289.0	295.3	312.7	321.8	**313.0**
Total	2,549.1	2,657.8	2,837.1	2,907.0	**2,934.9**

Sales by product category[1]
(in millions of Canadian dollars)

	2010	2011	2012[2]	2013	2014
Wines	1,905.5	1,987.0	2,124.7	2,183.1	**2,213.6**
Spirits	552.9	581.8	621.8	633.8	**639.0**
Imported and microbrewery beers, ciders and coolers	90.7	89.0	90.6	90.1	**82.3**
Total	2,549.1	2,657.8	2,837.1	2,907.0	**2,934.9**

1. Due to the adoption of a new presentation method in 2011, the Éduc'alcool Fund and Environmental Fund deductions are not included in net expenses. In 2014, these deductions totalled $12.2 million compared with $8.5 million for the preceding fiscal year.
2. 53-week fiscal year.

The financial information has been prepared in accordance with the International Financial Reporting Standards (IFRS), except for fiscal 2010, for which they were prepared in accordance with the Canadian generally accepted accounting principles (GAAP), which were in effect during that fiscal year.

Financial results
(in millions of Canadian dollars)

	2010	2011	2012[1]	2013[2]	2014
Sales[3]	2,549.1	2,657.8	2,837.1	2,907.0	2,934.9
Cost of sales	1,198.2	1,240.7	1,327.8	1,354.2	1,380.4
Net expenses[3,4]	483.7	506.6	509.6	522.0	551.5
Profit	867.2	910.5	999.7	1,030.8	1,003.0
Comprehensive income	867.2	910.5	999.7	1,030.3	1,002.0

Government revenues from operations
(in millions of Canadian dollars)

	2010	2011	2012[1]	2013	2014
Declared dividend	867.2	914.7	999.7	1,030.4	1,003.0
Taxes and duties paid to governments	757.4	796.9	861.5	914.4	952.9
Total	1,624.6	1,711.6	1,861.2	1,944.8	1,955.9

Asset mix
(in millions of Canadian dollars)

	2010	2011	2012[1]	2013[2]	2014
Inventories	302.1	294.5	302.4	344.7	361.2
Property, plant and equipment and intangible assets	225.8	247.4	250.9	259.8	259.8
Other assets	99.9	109.2	147.1	155.1	112.8
Total	627.8	651.1	700.4	759.6	733.8

1. 53-week fiscal year
2. The fiscal 2013 results have been restated to retroactively apply the changes to IAS 19 concerning employee benefits in accordance with the transition provisions. These changes had an impact of nearly $0.4 million on net earnings and of more than $0.1 million on the consolidated statement of comprehensive income for fiscal 2013.
3. Due to the adoption of a new presentation method in 2011, the Éduc'alcool Fund and Environmental Fund deductions are not included in net expenses. In 2014, these deductions totalled $12.2 million compared with $8.5 million for the preceding fiscal year.
4. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in profit or loss of equity-accounted interests.

The financial information has been prepared in accordance with the International Financial Reporting Standards (IFRS), except for fiscal 2010, for which they were prepared in accordance with the Canadian generally accepted accounting principles (GAAP), which were in effect during that fiscal year.

Breakdown of the Sales Price

Imported wine, 750 ml format
(in dollars and percentages)
March 29, 2014

Markup[1]	$7.34	45.3%
Supplier price, in Canadian dollars, including shipping	5.44	33.6
Provincial sales tax	1.40	8.6
Specific tax paid to the Government of Quebec	0.84	5.2
Federal goods and services tax	0.70	4.3
Excise taxes and customs duties paid to the Government of Canada	0.48	3.0
Retail price (per bottle)	$16.20	100.0%

1. The markup covers selling, merchandising, distribution and administrative expenses and generates profit.

Local spirits, 750 ml format
(in dollars and percentages)
March 29, 2014

Markup[1]	$11.76	51.6%
Supplier price, in Canadian dollars, including shipping	3.72	16.3
Excise taxes paid to the Government of Canada	3.51	15.4
Provincial sales tax	1.98	8.7
Federal goods and services tax	0.99	4.3
Specific tax paid to the Government of Quebec	0.84	3.7
Retail price (per bottle)	$22.80	100.0%

1. The markup covers selling, merchandising, distribution and administrative expenses and generates profit.

QUARTERLY RESULTS

Fiscal years ended March 29, 2014, and March 30, 2013
(unaudited figures)

	2014				
	Fiscal year	Q4	Q3	Q2	Q1
Number of weeks	52	12	16	12	12
FINANCIAL RESULTS (in millions of Canadian dollars)					
Sales	2,934.9	566.2	1,048.9	664.5	655.3
Gross margin	1,554.5	303.6	549.8	353.8	347.3
Net expenses[2]	551.5	140.8	169.2	115.5	126.0
Profit	1,003.0	162.8	380.6	238.3	221.3
Comprehensive income	1,002.0	161.8	380.6	238.3	221.3
Dividend paid	1,058.4	324.9	265.0	201.5	267.0
SALES BY NETWORK (in millions of Canadian dollars)					
Stores and specialized centres	2,621.9	499.7	941.7	600.8	579.7
Wholesale grocers	313.0	66.5	107.2	63.7	75.6
Total	2,934.9	566.2	1,048.9	664.5	655.3
VOLUME SALES BY NETWORK (in millions of litres)					
Stores and specialized centres	150.4	28.5	51.3	36.4	34.2
Wholesale grocers	39.0	8.4	13.1	7.9	9.6
Total	189.4	36.9	64.4	44.3	43.8
VOLUME SALES BY PRODUCT CATEGORY (in millions of litres)					
Wines	156.5	31.4	53.7	35.6	35.8
Spirits	21.8	4.0	8.0	5.0	4.8
Imported and microbrewery beers, ciders and coolers	11.1	1.5	2.7	3.7	3.2
Total	189.4	36.9	64.4	44.3	43.8

1. The fiscal 2013 results have been restated to retroactively apply the changes to IAS 19 concerning employee benefits in accordance with the transition provisions. These changes had an impact of nearly $0.4 million on net earnings and of more than $0.1 million on the consolidated statement of comprehensive income for fiscal 2013.
2. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in profit or loss of equity-accounted interests.

QUARTERLY RESULTS

Fiscal years ended March 29, 2014, and March 30, 2013
(unaudited figures)

	2013[1]				
Number of weeks	Fiscal year 52	Q4 12	Q3 16	Q2 12	Q1 12
FINANCIAL RESULTS (in millions of Canadian dollars)					
Sales	2,907.0	566.4	1,034.6	652.5	653.5
Gross margin	1,552.8	304.5	548.5	351.0	348.8
Net expenses[2]	522.0	128.7	159.9	115.5	117.9
Profit	1,030.8	175.8	388.6	235.5	230.9
Comprehensive income	1,030.3	175.3	388.6	235.5	230.9
Dividend paid	1,047.7	316.0	253.0	169.0	309.7
SALES BY NETWORK (in millions of Canadian dollars)					
Stores and specialized centres	2,585.2	505.3	922.6	582.3	575.0
Wholesale grocers	321.8	61.1	112.0	70.2	78.5
Total	2,907.0	566.4	1,034.6	652.5	653.5
VOLUME SALES BY NETWORK (in millions of litres)					
Stores and specialized centres	150.8	29.3	50.8	35.9	34.8
Wholesale grocers	40.4	8.0	13.9	8.7	9.8
Total	191.2	37.3	64.7	44.6	44.6
VOLUME SALES BY PRODUCT CATEGORY (in millions of litres)					
Wines	157.3	31.5	53.9	35.7	36.2
Spirits	22.0	4.2	8.0	5.0	4.8
Imported and microbrewery beers, ciders and coolers	11.9	1.6	2.8	3.9	3.6
Total	191.2	37.3	64.7	44.6	44.6

TEN-YEAR HISTORICAL REVIEW

Fiscal years ended the last Saturday in March
(unaudited figures)

	2014[1]	2013[1][2]	2012[1][2]
FINANCIAL RESULTS			
(in millions of Canadian dollars)			
Sales[3]	**2,934.9**	2,907.0	2,837.1
Gross margin[3]	**1,554.5**	1,552.8	1,509.3
Next expenses[3,6]	**551.5**	522.0	509.6
Profit	**1,003.0**	1,030.8	999.7
Comprehensive income	**1,002.0**	1,030.3	999.7
FINANCIAL POSITION			
(in millions of Canadian dollars)			
Total assets	**733.8**	759.6	700.4
Property, plant and equipment and intangible assets	**259.8**	259.8	250.9
Net working capital	**(186.9)**	(191.6)	(186.7)
Long-term liabilities	**31.3**	32.1	29.4
Shareholder's equity	**42.3**	43.4	44.9
CASH FLOWS			
(in millions of Canadian dollars)			
Cash flows related to operating activities	**1,062.6**	1,075.7	947.3
Acquisitions of property, plant and equipment and intangible assets	**32.0**	41.1	35.3
Dividend paid	**1,058.4**	1,047.7	962.7

1. Due to the adoption of a new accounting standard on inventories in 2009, direct shipping costs are deducted from net expenses and charged to cost of sales. In 2014, direct shipping costs totalled $15.9 million compared with $16 million for the preceding fiscal year.
2. The fiscal 2013 results have been restated to retroactively apply the changes to IAS 19 concerning employee benefits in accordance with the transition provisions. These changes had an impact of nearly $0.4 million on net earnings and of more than $0.1 million on the consolidated statement of comprehensive income for fiscal 2013.
3. 53-week fiscal year.
4. The fiscal year was disrupted by a labour dispute.
5. Due to the adoption of a new presentation method in 2011, the Éduc'alcool Fund and Environmental Fund deductions are not included in net expenses. In 2014, these deductions totalled $12.2 million compared with $8.5 million for the preceding fiscal year.
6. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in profit or loss of equity-accounted interests.

The financial information for fiscal years 2011 to 2014 has been prepared in accordance with the International Financial Reporting Standards (IFRS). The figures presented for previous years were prepared in accordance with the Canadian generally accepted accounting principles (GAAP), which were in effect during those fiscal years.

TEN-YEAR HISTORICAL REVIEW

Fiscal years ended the last Saturday in March
(unaudited figures)

2011[1]	2010[1]	2009[1]	2008	2007[1]	2006	2005[1]
2,657.8	2,549.1	2,424.5	2,300.3	2,180.0	2,019.4	1,810.6
1,417.1	1,350.9	1,282.6	1,245.5	1,187.0	1,120.0	1,000.8
506.6	483.7	475.9	484.6	479.0	463.1	455.0
910.5	867.2	806.7	760.9	708.0	656.9	545.8
910.5	867.2	N/A	N/A	N/A	N/A	N/A
651.1	627.8	590.3	592.5	573.0	658.8	682.8
247.4	225.8	209.6	214.4	240.2	272.4	295.4
(179.3)	(157.7)	(140.5)	(146.2)	(171.6)	(203.6)	(227.5)
32.4	23.2	24.3	25.1	24.4	46.4	47.5
44.9	44.8	44.8	43.1	44.2	35.6	35.6
959.6	915.0	834.6	816.5	769.0	679.5	727.5
43.1	43.3	26.6	21.1	19.0	24.9	32.2
926.2	817.0	802.0	742.0	674.0	598.0	558.0

TEN-YEAR HISTORICAL REVIEW

Fiscal years ended the last Saturday in March
(unaudited figures)

	2014	2013	2012[1]
SALES BY NETWORK[3]			
(in millions of Canadian dollars and in millions of litres)			
Stores and specialized centres	**2,621.9**	2,585.2	2,524.4
	150.4 L	150.8	149.1
Wholesale grocers	**313.0**	321.8	312.7
	39.0 L	40.4	39.8
Total	**2,934.9**	2,907.0	2,837.1
	189.4 L	191.2	188.9
SALES BY PRODUCT CATEGORY[3]			
(in millions of Canadian dollars and in millions of litres)			
Wines	**2,213.6**	2,183.1	2,124.7
	156.5 L	157.3	155.2
Spirits	**639.0**	633.8	621.8
	21.8 L	22.0	21.8
Imported and microbrewery beers, ciders and coolers	**82.3**	90.1	90.6
	11.1 L	11.9	11.9
Total	**2,934.9**	2,907.0	2,837.1
	189.4 L	191.2	188.9

1. 53-week fiscal year.
2. The fiscal year was disrupted by a labour dispute.
3. Due to the adoption of a new presentation method in 2011, the Éduc'alcool Fund and Environmental Fund deductions are not included in net expenses. In 2014, these deductions totalled $12.2 million compared with $8.5 million for the preceding fiscal year.

The financial information for fiscal years 2011 to 2014 has been prepared in accordance with the International Financial Reporting Standards (IFRS). The figures presented for previous years were prepared in accordance with the Canadian generally accepted accounting principles (GAAP), which were in effect during those fiscal years.

TEN-YEAR HISTORICAL REVIEW

Fiscal years ended the last Saturday in March
(unaudited figures)

2011	2010	2009	2008	2007	2006	2005
2,362.5	2,260.1	2,146.5	2,034.8	1,918.5	1,758.0	1,510.2
142.8	137.4	132.1	127.9	123.6	114.9	101.2
295.3	289.0	278.0	265.5	261.5	261.4	300.4
37.7	36.6	36.0	34.6	32.8	31.9	34.9
2,657.8	2,549.1	2,424.5	2,300.2	2,180.0	2,019.4	1,810.6
180.5	174.0	168.1	162.5	156.4	146.8	136.1
1,987.0	1,905.5	1,804.9	1,705.2	1,606.4	1,474.6	1,315.8
148.3	142.3	137.0	131.9	126.0	116.7	107.6
581.8	552.9	530.9	515.0	493.8	461.3	406.2
20.8	20.3	19.6	19.4	19.0	18.2	16.1
89.0	90.7	88.7	80.1	79.8	83.5	88.6
11.4	11.4	11.5	11.2	11.4	11.9	12.4
2,657.8	2,549.1	2,424.5	2,300.3	2,180.0	2,019.4	1,810.6
180.5	174.0	168.1	162.5	156.4	146.8	136.1

TEN-YEAR HISTORICAL REVIEW

Fiscal years ended the last Saturday in March
(unaudited figures)

	2014[1]	2013[1,2]	2012[1,3]
NET EXPENSES[5,6]			
(in millions of Canadian dollars)			
Employee compensation	**369.1**	358.4	344.3
Building occupancy expenses[7]	**93.6**	89.9	89.0
Equipment use and supply expenses[7]	**42.5**	40.6	39.6
Freight out and communications	**7.5**	7.4	8.3
Other expenses	**38.8**	25.7	28.4
Total	**551.5**	522.0	509.6
OPERATING RATIOS			
(as a percentage of sales)			
Gross margin[5]	**53.0%**	53.4%	53.2%
Profit	**34.2%**	35.4%	35.2%
Net expenses[5,6]	**18.8%**	18.0%	18.0%
OTHER INFORMATION			
(at fiscal year-end)			
Number of employees[8]	**5,526**	5,584	5,489
Number of stores	**401**	405	408
Number of agency stores	**437**	396	398
Number of products offered for sale	**10,660**	10,467	10,088
SURFACE AREA OF BUSINESS PREMISES			
(in thousands of square feet)			
Stores	**1,912.7**	1,915.1	1,880.6
Distribution centres and warehouses	**1,467.1**	1,462.6	1,461.7

1. Due to the adoption of a new accounting standard on inventories in 2009, direct shipping costs are deducted from net expenses and charged to cost of sales. In 2014, direct shipping costs totalled $15.9 million compared with $16 million for the preceding fiscal year.
2. The fiscal 2013 results have been restated to retroactively apply the changes to IAS 19 concerning employee benefits in accordance with the transition provisions. These changes had an impact of nearly $0.4 million on net earnings and of more than $0.1 million on the consolidated statement of comprehensive income for fiscal 2013.
3. 53-week fiscal year.
4. The fiscal year was disrupted by a labour dispute.
5. Due to the adoption of a new presentation method in 2011, the Educ'alcool Fund and Environmental Fund deductions are not included in net expenses. In 2014, these deductions totalled $12.2 million compared with $8.5 million for the preceding fiscal year.
6. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in profit or loss of equity-accounted interests.
7. Including amortization expenses.
8. The number of employees is determined on a full-time equivalent basis.

The financial information for fiscal years 2011 to 2014 has been prepared in accordance with the International Financial Reporting Standards (IFRS). The figures presented for previous years were prepared in accordance with the Canadian generally accepted accounting principles (GAAP), which were in effect during those fiscal years.

TEN-YEAR HISTORICAL REVIEW

Fiscal years ended the last Saturday in March
(unaudited figures)

2011[1]	2010[1]	2009[1]	2008	2007[2]	2006	2005[3]
341.9	332.5	319.2	316.9	308.4	280.0	254.3
83.4	79.6	76.9	73.6	72.5	71.2	66.6
41.1	37.1	43.9	59.8	57.8	57.9	60.8
8.8	8.3	8.8	11.4	12.2	13.3	12.3
31.4	26.2	27.1	22.9	28.1	40.7	61.0
506.6	483.7	475.9	484.6	479.0	463.1	455.0
53.3%	53.0%	52.9%	54.1%	54.4%	55.5%	55.3%
34.3%	34.0%	33.3%	33.1%	32.5%	32.5%	30.1%
19.0%	19.0%	19.6%	21.0%	21.9%	23.0%	25.2%
5,369	5,265	5,260	5,337	5,264	5,235	4,494
414	416	414	414	414	408	403
396	395	398	397	395	400	403
9,580	8,833	8,611	8,231	7,532	7,243	7,633
1,827.2	1,822.1	1,759.0	1,703.8	1,687.1	1,660.9	1,633.1
1,458.7	1,349.7	1,215.4	1,215.4	1,166.9	1,166.9	1,152.6

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